

Eurozone retail sales surge in September

Retail sales jumped 0.7% month-on-month, indicating domestic demand continues to lead the euro-boom of 2017



0.7% Eurozone retail sales (September)
Annual growth of 3.7%

A eurozone sales growth recovery was imminent after two disappointing summer months. The labour market recovery has maintained a steady pace over the summer and unemployment now stands at 8.9%, the lowest rate since January 2009. This has boosted disposable income, which has also experienced some mild tailwind from cautiously improving wage growth.

With consumer confidence at the highest level since 2001, improving retail sales seem a logical consequence.

The clothing sector is especially profiting; sales of clothing, textiles and footwear have increased

8.5% year-on-year. Electrical goods and furniture sales are also up significantly as they increased by 5.2% over the past year. As businesses indicate that hiring expectations are near decade highs at the moment, retail sales will continue to receive support from the labour market.

As inflation remains weak, increasing sales volumes are to be expected over the winter months. This means that 2017 will probably be a good holiday season for Eurozone kids. The question is: When is improving demand going to translate into higher prices? Businesses are indicating increasing selling price expectations, but that usually impacts inflation rates with a lag of multiple quarters. This means that the Goldilocks economy for Eurozone consumers could continue for some time.

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